



# TRADE IN EDUCATION AND TRAINING SERVICES

## EXCELLENT OPPORTUNITIES FOR U.S. PROVIDERS

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New information technologies, international trade liberalization, and an unprecedented demand for instruction have transformed the global market for education and training. Generally, the concept of lifelong learning has changed perceptions of the level of education needed to reach personal and professional goals. Individuals and governments increasingly associate education with high living standards and economic competitiveness.

Together, these forces have combined to create a booming global market for higher education and training services. Higher education is increasingly seen not only as a national public service, but also as an international commodity. The Organization for Economic Cooperation and Development (OECD) estimates the value of education services trade for OECD countries at \$30 billion in 1999, equivalent to 3 percent of their total services export trade. This figure only takes into account students studying abroad in higher education and is undoubtedly an underestimate of the current level of trade in education services. In the United States, the education and training sector ranks fifth in exports of services, totalling \$10.7 billion in 2000, according to the International Trade Administration. This figure does

not include the receipts of a growing number of branches and other ventures established overseas by U.S. education service providers.

In this article, the education and training sector includes services defined at the level of postsecondary education as experienced in the United States. Postsecondary education in this case consists of education services ranging from diploma and certificate through doctoral and post-doctoral degrees (including a wide range of educational services that are vocational/occupational as well as terminal degree preparation for scholarship or professional practice).

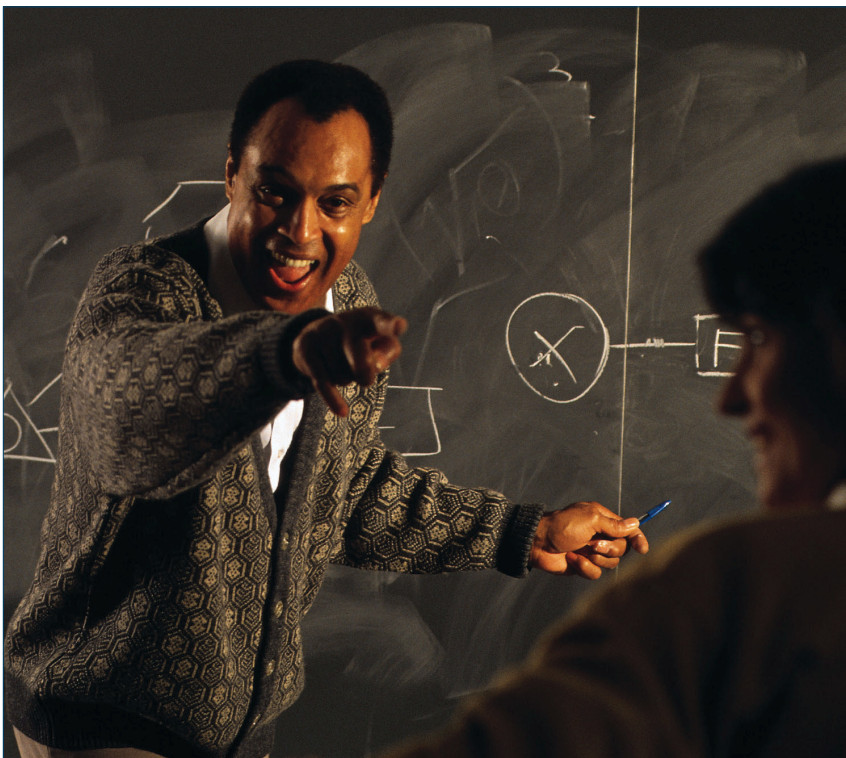
### THE INTERNATIONAL MARKET

The education and training services sector is experiencing unprecedented expansion and diversification in the number and variety of higher education and training providers as well as the array of services offered. This diversification is a result of a significant increase in the international demand for education and training. The primary driver of this sizeable demand is the ambition of countries with historically low participation in postsecondary education to expand access at a pace that would be difficult to achieve purely through an expansion of domestic supply. At the same time, the capacity of the public sector to satisfy demand for educational services is also

being challenged by budget limitations, the changing role of government, and increased emphasis on market forces and privatization.

In discussing exports of education and training, often the first thing that comes to mind is study abroad. According to the U.S. Census Bureau, Americans studying abroad increased 17 percent in 2000, and European educational institutions remained the most popular destinations. Education receipts increased 7.6 percent in 2000, to \$10.7 billion (this includes training receipts), following a 6 percent increase in 1999. In 2000, more than 500,000 foreign students were enrolled in U.S. colleges and universities. From an international trade perspective, education and training is a service industry with four modes of supply:

- Cross-border delivery (e.g., a U.S. institution delivers on-line courses to foreign students based in their home countries)
- Consumption abroad (e.g., foreign students come to the United States to study)
- Commercial presence (e.g., a U.S. institution/provider opens a branch campus or training facility in a foreign country through which it offers its courses and programs)



- Movement of persons (e.g., a U.S. institution/provider sends faculty/trainers to teach a course to a group of learners in another country).

International trade in educational services in terms of consumption abroad has been growing steadily for several years. Despite fears of additional terrorist attacks on the United States and its allies, there is reason to expect continued expansion. It is estimated, for example, that Thailand would have to build a new institution serving 10,000 students every year until 2025 in order to fulfill its stated targets for increased access to postsecondary education. Another example is China, which places a high priority on expanding access to postsecondary educational opportunities for its people, but has limited capacity for expansion of supply in light of potential demand. According to the OECD, foreign enrollments are increasing faster than domestic enrollments in tertiary education in OECD countries. However, there are limits to growth in international education and training services under

the category of consumption abroad: high costs to learners as well as space constraints on home campuses and at training facilities. Education and training in Asian countries, for example, is expected to grow outside the traditional university sector, instead involving part-time or short-term courses, for which clients will not always be inclined to travel.

The establishment of branch campuses and the provision of courses and programs on the Internet (e-learning) might together be the wave of the future. Both of these modes of supply provide the student with the opportunity to pursue studies with a foreign provider without incurring the cost of travel. It appears, however, that only a few countries have started to enroll substantial numbers of students on off-shore campuses. Australia and the United Kingdom are often cited as leaders in this area, with demand being greatest for courses in business administration, management and leadership training, language training, and computer and information technology. As for e-learning, it appears to have great

potential. Nevertheless, providers have found the transition from traditional, classroom-based content to virtual content both difficult and expensive. The future of e-learning remains promising but unclear.

#### OECD-U.S. FORUM

Those with a stake in the sector are starting to realize and promote its importance, including governments and intergovernmental agencies. The joint OECD-U.S. Forum on Trade in Educational Services, held in May of this year at the U.S. Department of Commerce (DOC) in Washington, D.C., served as testimony to this fact. The forum constituted the first major international event on the topic of trade in educational services. It was jointly sponsored by the OECD, the DOC, the U.S. Department of Education, the World Bank, and the Center for Quality Assurance in International Education.

More than 250 participants from around the world attended the two-day forum, including ministers of education, senior trade and education officials, university deans, representatives from private and for-profit providers, students, and members of industry associations and trade unions. The overall aim was to bring together the stakeholders who play an active role in cross-border trade in educational services, in order to discuss policy issues and trends in the trade of these services. Forum presentations addressed key issues covered in this article, including global market conditions, international services trade negotiations, quality assurance, and national policies that help to promote trade in education and training services.

#### INTERNATIONAL TRADE NEGOTIATIONS

In addition to unprecedented demand, international trade liberalization also enhances the array of export opportunities available to U.S. education and training providers by increasing their access to overseas markets. Education

and training services are currently included in international services trade negotiations under the auspices of the World Trade Organization (WTO), the Free Trade Area of the Americas (FTAA), the U.S.-Chile Free Trade Agreement, the U.S.-Singapore Free Trade Agreement, and services trade liberalization efforts in the Asia-Pacific Economic Cooperation (APEC) forum. (Within the WTO, education and training belong in the General Agreement on Trade in Services, or GATS.) The National Committee for International Trade in Education leads many of the efforts of the U.S. sector by acting as its advocate on matters of international trade policy. Other major U.S. educational associations have more recently become actively involved in providing advice to U.S. trade negotiators, including the American Council on Education and the Council on Higher Education Accreditation.

Although current trends point to a booming global market for higher education and training, providers of these services still face a multitude of barriers when doing business abroad. These barriers include, but are not limited to, national legislation and policies that inhibit foreign education providers from obtaining the national licenses; qualifications authorities that have difficulty recognizing foreign educational credentials; telecommunications laws that restrict the use of national satellites and receiving dishes; foreign-exchange controls that limit direct investment by foreign education providers, place minimum capital investment requirements on foreign owned firms, and assess prohibitively high taxes on all revenue made by foreign entities; limitations on foreign ownership; and disregard for international agreements concerning intellectual property rights.

The GATS, the FTAA, the trade agreements with Chile and Singapore, and APEC all represent potential opportunities for further liberalization and expansion of the global export market for U.S. education and training services. The

DOC's Office of Service Industries is the department's coordinator of all work on international services negotiations, including the GATS. The office also supplies the DOC representative to the Office of the U.S. Trade Representative (USTR) for services delegations.

#### QUALITY ASSURANCE

For education, there is a critical need to prevent the operation of "diploma mills," which tend to undermine education systems, deceive students, and mislead employers. The advent and growth of on-line education makes even more critical the need for international oversight of the quality of education. Quality assurance and qualification systems remain fundamentally national in character. However, and there is a growing awareness that in the global market for trade in education services, the complexities of the international education market limit national schemes for quality assurance. Some education and training providers envision the creation of an international network or networks to recognize quality and accredit institutions, but credibility for such an arrangement or group of arrangements would take years to achieve. In fact, the prediction of the attendees of the OECD-U.S. Forum was that over the coming years, progress in quality assurance would continue to lag behind the expansion and diversification of the market and that no global body for accreditation or quality assurance would emerge.

That said, it is important to note that regional arrangements have had some success in the area of recognition of qualifications, with two European efforts—the Lisbon Convention and the Bologna Declaration—serving as primary examples. The 1999 Bologna Declaration has the support of European universities and students' associations. The goals of the declaration include a common degree structure on the undergraduate and postgraduate model, a flexible credit transfer and accumulation system, and a European approach to quality assurance.

## RESOURCES

### U.S. Department of Commerce, Office of Service Industries

Tel: (202) 482-3575; Web site:

[www.trade.gov/td/sif](http://www.trade.gov/td/sif)

### U.S. Export Assistance Center locations

[www.usatrade.gov](http://www.usatrade.gov)

### National Committee for International Trade in Education (NCITE)

[www.tradeineducation.org](http://www.tradeineducation.org)

### Study USA 2003

[www.susa.gov](http://www.susa.gov)

### Study Oregon

[www.studyoregon.org](http://www.studyoregon.org)

### Study Washington

[www.studywashington.com](http://www.studywashington.com)

### American Education Expo 2002

[www.isnexpo.com](http://www.isnexpo.com)

### USTR negotiating proposals on education and training services

[www.ustr.gov/sectors/services/docsvcs.shtml](http://www.ustr.gov/sectors/services/docsvcs.shtml)



**EXPORT STRATEGIES/  
OPPORTUNITIES**

In addition to having responsibility for quality assurance, providers are increasingly looking to national governments to provide support in the area of export promotion. Both the Canadian and Australian governments, for example, have taken a very active role in promoting the exports of their respective higher education and training sectors. Although many U.S. education and training providers would like to see the U.S. government become more active on this front, it is important to note that there are many resources available to assist providers in increasing their awareness and ability to take advantage of export opportunities.

**STUDY USA, STUDY  
WASHINGTON, AND  
STUDY OREGON**

Many U.S. educational institutions looking for cost-effective market promotion turn to Study USA, a DOC Commercial Service trade fair for U.S. education and training providers. Study USA allows exhibitors to increase their visibility in a market and at the same time make important face-to-face connections with their customers and potential customers: students and parents.

The Study USA 2003 tour will feature at least 11 events in nine Asian countries, including India, Thailand, the Philippines, Malaysia, Indonesia, Singapore, South Korea, Taiwan, and Japan. The schedule, which spans late February, March, and early April, allows U.S. providers the flexibility to participate in a portion of the program or all of it, according to their priorities.

In addition to Study USA, U.S. institutions are also embarking on innovative endeavors to promote their programs overseas. Educational institutions in Washington and Oregon are leading a new wave of marketing international education. In the past, many of schools in these states viewed each other as competitors. A few years ago, this all

changed when the schools began to see potential in joining forces in their international marketing efforts.

The result was the creation of two international marketing consortia, Study Oregon and Study Washington. Each consortium was organized with the assistance of the local U.S. Export Assistance Center, which was viewed as a neutral party in bringing together traditional rivals. Although Study Oregon and Study Washington are organized and run slightly differently based on the needs of individual members, there are some common threads that make these consortia dynamic organizations. For example, both consortia focus on marketing their states as attractive destinations for international students. Recognizing that many international students are not as familiar with Washington and Oregon as states such as California, New York, and Florida, Study Oregon and Study Washington focus on raising the profile of their excellent educational and leisure opportunities. Both consortia have developed marketing materials such as Web sites and brochures that highlight their schools and showcase the natural beauty of their states. In addition, by partnering with the U.S. Commercial Service, Study Oregon and Study Washington member schools receive a steady stream of information and potential marketing leads from overseas.

**BUYUSA.COM**

New York University's School of Continuing and Professional Studies (NYU SCPS) is a leader in international education. In addition to being one of the first educational institutions to receive the President's Export Award for its work to promote U.S. educational services overseas and the number one recipient of international students in the United States, NYU SCPS was one of the first U.S. universities to register on BuyUSA.com. BuyUSA.com is an electronic marketplace that connects U.S. exporters with qualified agents, buyers, and partners overseas. NYU's School of Continuing and Professional

Studies has been using BuyUSA.com to locate agents and partners in countries that they "never would have considered otherwise," says Doug Lynch, assistant dean of NYU SCPS. Lynch was contacted directly by Sharjeel Mufti of Lynx, Ltd., in Paris, France, with an interest in marketing the school's professional studies programs to France's 1,000 largest companies. In July, NYU signed a representational agreement with Mr. Mufti, who is now working to translate NYU's offerings into French and has begun outreach to potential customers. Lynch anticipates "a very fruitful relationship with Lynx," and he mentions that NYU SCPS is already in discussions with other representatives in India and the United Kingdom. According to Assistant Dean Lynch, "BuyUSA is an excellent return on a \$400 investment."

**LESSONS LEARNED**

The rapidly changing global market for education and training services presents both exciting opportunities and daunting challenges for U.S. providers. The OECD-U.S. Forum provided a starting point for stakeholders to attempt to come to grips with the implications of all of this change. Fortunately, the sector not only has a long tradition of excellence in terms of quality, but it also has outstanding resources such as hardworking international trade negotiators and U.S. Export Assistance Centers at its disposal. For it is through an awareness of international trade agreements; innovative cooperative arrangements with the U.S. government, colleagues, and non-traditional partners; and the provision of world-class services, that the U.S. education and training sector will be able to maintain its reputation as a leader in the global marketplace. ■

Bryan Harmon, New York U.S. Export Assistance Center; Jennifer Woods, Portland U.S. Export Assistance Center; and Susan Gates, Seattle U.S. Export Assistance Center contributed to this article.

## EXPORT ACHIEVEMENT CERTIFICATE WINNER

### INTERNATIONAL STUDENT NETWORK

"Enlightenment and understanding are our most powerful weapons in combating ignorance, prejudice, and terrorism," notes Babish Soni of the International Student Network (ISN), a United States-based firm whose mission is to promote and increase the accessibility of American education across the globe. Mr. Soni's innovative approach promotes the accessibility of American education to students in the United Arab Emirates. Soni has also made a significant impact on the export of American education into the Gulf region, Latin America, South America, North America, and Asia.

Although U.S. universities continue to open their doors to students from Gulf nations, this valuable export presently remains threatened. Foreigners and Americans alike remain wary of the prospect of international exchange. Foreign students fear for their personal safety in the United States, and Americans are hesitant to admit aliens into the country. Additionally, Australia, Canada, Japan, and the United Kingdom have played up these fears and capitalized on our national tragedy as an iniquitous opportunity to capture our share of the Gulf student market.

Most recently, Mr. Soni has been devoted to the task of organizing what will be the largest American educational exhibition in the world. On October 8–10, 2002, more than 100 U.S. colleges and universities will join together in Dubai, United Arab Emirates, for the American Education Expo 2002.

ISN has worked closely with the U.S. Department of Commerce (DOC) to establish an American-only show in the Gulf region. ISN's chief endeavor is the organization of large-scale education trade shows that allow U.S. colleges and universities to directly and effectively recruit foreign students. "Before ISN initiated the idea of an exclusively American education expo, joining a British trade show was the sole opportunity available to U.S.

universities interested in recruiting students in the Gulf nations," notes Soni. The Gulf student market alone provides a substantial amount of revenue, as more than 4,000 young people from the UAE enroll in U.S. universities annually for post-secondary education. "In addition to offering tremendous social and diplomatic benefits, these students impart an important economic advantage, representing a private citizen and government commitment of over \$40 million dollars," Mr. Soni says. "Before ISN was founded, a great deal of this market was lost to international competitors."

In May 2002, the Commercial Service division of the U.S. Department of Commerce recognized ISN for its innovative achievements. Bruce Blakeman, deputy assistant secretary of domestic operations, presented Mr. Soni with the DOC's Export Achievement Certificate for his tremendous success in entering new markets in the field of educational recruitment.

"It is a great honor to accept the award, but I must acknowledge the fact that the Department of Commerce has played an invaluable role in our success," explains Mr. Soni. United by the common endeavor to promote the education and training sector, the DOC plays a significant role across many levels of ISN's operations. "The department's Commercial Service staff of the many countries in which we organize our expos have provided us an immeasurable amount of aid throughout the years," says Mr. Soni. "The help they provided us in obtaining permission for our shows was truly critical to the success of the expos, and they consistently assisted us with innumerable tasks, such as organizing school visits, printing promotional material, dealing with customs clearance, and placing local advertisements." Soni regards ISN's close relationship with the DOC as key: "We work as a team towards the common endeavor of encouraging this sector. It is often the case that we enter a new market at the department's invitation, and it does an enormous amount to make such expansion possible." ■